

Message Text

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ORIGIN PM-03

INFO OCT-01 EA-06 ISO-00 L-01 CIAE-00 INR-05 NSAE-00

RSC-01 DODE-00 MC-01 EB-04 COME-00 TRSE-00 OMB-01

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DRAFTED BY PM/SAS:DWMCLINTOCK/RS

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EA/K - MR. NEWSOM

L/PM - MR. BOREK

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FM SECSTATE WASHDC

TO AMEMBASSY SEOUL

C O N F I D E N T I A L STATE 245203

E.O. 11652:GDS

TAGS:MASS, KS, US

SUBJECT:F-5E CO-PRODUCTION

REFERENCE: SEOUL 6877

1. DEPARTMENT APPRECIATES USEFUL REFTEL SUMMATION OF NORTH-
ROP/ROKAF BRIEFING. FYI: NORTHROP REPS GAVE PM/SAS AND
EA/K ADDITIONAL INFORMAL BRIEFING OCTOBER 23. END FYI.

2. IN VIEW OF APPARENT INCREASED ROKG INTEREST IN NORTHROP
PROPOSAL, EMBASSY SHOULD BE AWARE OF NEWLY-EVOLVED INTER-
DEPARTMENTAL PROCEDURES GOVERNING USG CONSIDERATION AND AP-
PROVAL OF CO-PRODUCTION SCHEMES. THESE PROCEDURES, COUPLED
WITH GENERAL PROBLEM OF COMMITTING FMS FUNDS ON MULTI-YEAR
BASIS PLUS SPECIFIC PROBLEM OF PRESERVING VIABLE KOREAN PRO-
GRAM IN UPCOMING FOREIGN ASSISTANCE LEGISLATION, WILL NECES-
SITATE CAREFUL REVIEW OF F-5 OR ANY OTHER CO-PRODUCTION PRO-
POSAL FOR KOREA. WHILE IT IS NOT-NECESSARILY DESIRABLE OR
APPROPRIATE TO PROVIDE ROKG WITH FULL EXPLANATION OF APPRO-
VAL CRITERIA AT PRESENT TIME, EMBASSY SHOULD, AS APPROPRIATE,
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REMIND CONCERNED ROKG OFFICIALS THAT ALL CO-PRODUCTION PRO-

POSALS ARE SUBJECT TO INTERDEPARTMENTAL ASSESSMENT AND LEGISLATIVE CONSIDERATIONS, ESPECIALLY IN CONTEXT OF SECTION 42 OF FOREIGN MILITARY SALES ACT, AS AMENDED.

3. FOLLOWING IS STRICTLY FOR EMBASSY'S BACKGROUND INFORMATION ONLY:

A. FOLLOWING SENIOR-LEVEL INTERDEPARTMENTAL CONSULTATIONS, UNDER SECRETARY FOR SECURITY ASSISTANCE ISSUED INTERAGENCY INSTRUCTIONS ENTITLED QUOTE CO-PRODUCTION GUIDELINES UNQUOTE ON SEPTEMBER 6, 1973. GUIDELINES GOVERN USG APPROVAL OF PROPOSALS FOR OVERSEAS PRODUCTION OF DEFENSE ARTICLES INVOLVING SOME ELEMENT OF USG FUNDING(INCLUDING PROVISION OF DIRECT OR GUARANTEED CREDIT) AND/OR CONCLUSION OF SUCH PROJECTS UNDER PROVISIONS OF FOREIGN MILITARY SALES ACT (FMSA). GUIDELINES ARE IN ADDITION TO, AND NOT IN LIEU OF, APPLICABLE LAWS AND REGULATIONS, SUCH AS SECTION 42 OF FMSA, WHICH PLACES SPECIAL EMPHASIS ON PROCUREMENT WITHIN U.S., AND AUTHORIZES OVERSEAS CO-PRODUCTION ONLY WHEN IT QUOTE BEST SERVES FOREIGN POLICY, NATIONAL SECURITY, AND ECONOMY OF U.S. UNQUOTE. SECTION 42(B) MAKES PROVISION OF USG CREDIT CONTINGENT UPON FULL REPORT BY SECRETARY TO CONGRESS, INCLUDING INTER ALIA ASSESSMENT OF PROBABLE IMPACT ON EMPLOYMENT AND PRODUCTION WITHIN US. SECTION 42(C) IMPOSES ADDITIONAL CRITERIA. GUIDELINES REQUIRE ASSESSMENT OF EACH PROPOSAL IN CONTEXT OF GENERAL USG POLICY, AS WELL AS SPECIFIC MILITARY, ECONOMIC, FINANCIAL, COMMERCIAL, AND POLITICAL CONSIDERATIONS. UPON DEPARTMENT'S RECEIPT OF A FORMAL PROPOSAL, PM REFERS CASE TO DOD, OMB, NSC, AND TREASURY. WITHIN STATE, EB ASSESSES ECONOMIC/FINANCIAL/COMMERCIAL ISSUES IN CONSULTATION WITH DEPARTMENTS OF COMMERCE, LABOR, AND OTHER INTERESTED AGENCIES; GEOGRAPHIC BUREAU(S) AND L PROVIDE FURTHER REVIEW. PM THEN ATTEMPTS TO RESOLVE INTERAGENCY DIFFERENCES AND PREPARES REPORT FOR SECURITY ASSISTANCE PROGRAM REVIEW COMMITTEE CONSIDERATION. IF CASE APPROVED, PM PREPARES NOTIFICATION TO CONGRESS.

B. INTERDEPARTMENTAL INTEREST IN STRICT APPLICATION OF CO-PRODUCTION GUIDELINES RECENTLY HAS INCREASED AS RESULT OF SEVERAL LARGE-SCALE CO-PRODUCTION PROPOSALS BY SHAH OF CONFIDENTIAL

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IRAN, PENDING ISRAELI PROPOSALS, AND GENERAL CONCERN OVER IMPACT OF CO-PRODUCTION ON U.S. ECONOMY. AS RESULT OF IRANIAN PROPOSALS, GUIDELINES PROCEDURES ARE BEING STREAMLINED; HOWEVER, THIS MEANS ALL CO-PRODUCTION SCHEMES WILL RECEIVE MORE CAREFUL, AS WELL AS PROMPT SCRUTINY. MEDIUM AND LONG TERM IMPACT OF PROJECTS ON US ECONOMY AND BALANCE OF PAYMENTS WILL BE WEIGHED AS CAREFULLY AS MILITARY AND POLITICAL CONSIDERATIONS.

C. COPY OF CO-PRODUCTION GUIDELINES IS BEING POUCHED TO EMBASSY.

4. DEPARTMENT WILL EXPEDITE PROCESSING OF F-5 OR OTHER KOREAN CO-PRODUCTION PROPOSALS IN ACCORDANCE WITH GUIDELINES AS SOON AS RECEIVED. HOWEVER, IN VIEW OF FOREGOING FACTORS EMBASSY SHOULD AVOID GIVING ROKG IMPRESSION THAT USG APPROVAL OF CO-PRODUCTION PROPOSALS IS PRO FORMA PROCESS. INGERSOLL

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